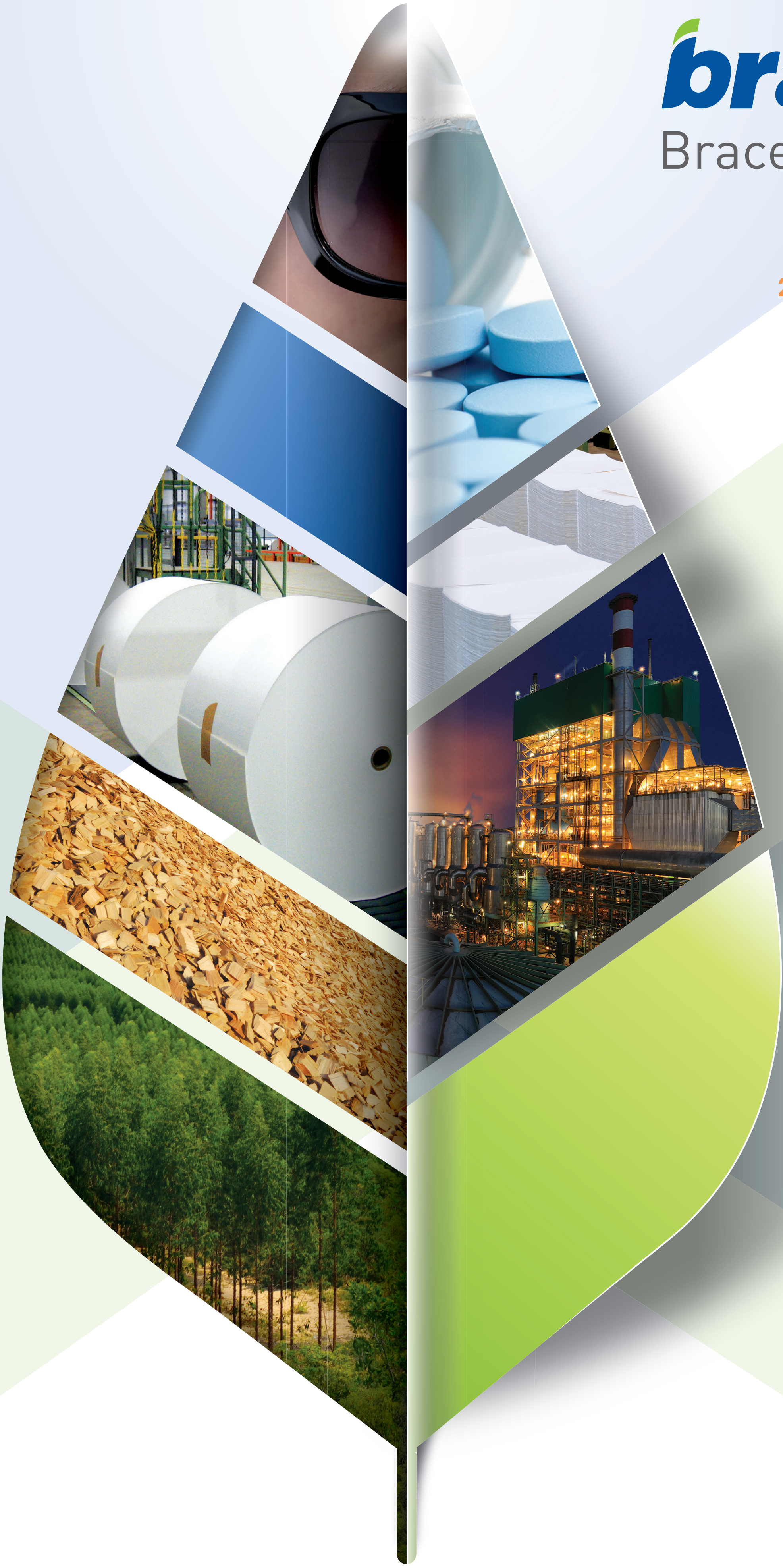
Bracell Limited

Stock Code: 1768

2015 INTERIM REPORT



ABOUT bracell

Listed on the Hong Kong Stock Exchange, Bracell Limited ("Bracell"; stock code: 1768) is one of the largest specialty cellulose producers in the world. Bracell's operations in Brazil consist of a secure renewable plantation that grows eucalyptus trees on its 150,000 hectares of freehold land, and a state-of-the-art mill to produce both specialty-grade and rayon-grade dissolving wood pulp. They are natural raw materials and key ingredients to a diverse range of everyday items from textiles, baby wipes and eyeglass frames, to soft ice-cream, sausage casings and pharmaceuticals, as well as industrial products such as high-performance tire cords.

Bracell attaches high priority to its social and sustainability responsibilities and is committed to preserving and protecting the environment in every aspect of its operations.

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CORPORATE INFORMATION

Board of Directors

Independent Non-executive Directors

John Jeffrey YING (Chairman)
Jeffrey LAM Kin Fung
David YU Hon To
LIM Ah Doo
LOW Weng Keong
Armin MEYER*

Executive Director

TEY Wei Lin (Chief Executive Officer)

Executive Committee

John Jeffrey YING (Chairman)
TEY Wei Lin

Audit Committee

David YU Hon To (Chairman)
LIM Ah Doo
LOW Weng Keong

Remuneration Committee

Jeffrey LAM Kin Fung (Chairman)
John Jeffrey YING
TEY Wei Lin
LOW Weng Keong
Armin MEYER*

Nomination Committee

LIM Ah Doo (Chairman)
David YU Hon To
TEY Wei Lin

Independent Board Committee

John Jeffrey YING (Chairman)
Jeffrey LAM Kin Fung
David YU Hon To
LIM Ah Doo
LOW Weng Keong
Armin MEYER*

* redesignated as an Independent Non-executive Director and appointed as a member of the Remuneration Committee and the Independent Board Committee with effect from 17 August 2015

Company Secretary

Winnie LUI Mei Yan

Authorized Representatives

TEY Wei Lin
Winnie LUI Mei Yan

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Place of Business in Hong Kong as a Registered Non-Hong Kong Company

21/F, China Building
29 Queen's Road Central
Central
Hong Kong

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Hong Kong

China Development Bank Corporation Hong Kong Branch
Taishin International Bank

Singapore

ABN AMRO Bank N.V.

Brazil

Mizuho Bank, Ltd.
Banco Santander, S.A.
Itaú Unibanco S.A.
Banco Bradesco, S.A.
Banco do Brasil S.A.

Auditor

PricewaterhouseCoopers

Stock Code

1768

Websites

www.brazilcellulose.com
www.irasia.com/listco/hk/bracell

FINANCIAL HIGHLIGHTS

Six months ended 30 June US$ Million	2015[(2)]	2014[(3)] (Restated)	Change
Continuing operations[(1)]			
Revenue	**221**	243	(9)%
Cost of sales	**146**	164	(11)%
Gross profit	**75**	79	(6)%
Gross profit margin	**34%**	33%	
EBITDA[(4)]	**92**	95	(2)%
EBITDA margin	**42%**	39%	
Profit before income tax	**36**	39	(7)%
Profit from continuing operations	**32**	39	(18)%
Discontinued operations[(1)]			
Loss from discontinued operations	**–**	(14)	
Profit attributable to shareholders	**32**	24	32%
Earnings per share (US cents)	**0.9**	0.7	29%
Interim dividend per share (HK cents)	**1.0**	–	

US$ Million	At 30 June 2015	At 31 December 2014	Change
Total assets	**1,488**	1,578	(6)%
Total liabilities	**414**	492	(16)%
Net assets	**1,074**	1,086	(1)%
Total debt	**319**	376	(15)%
Bank balances and cash	**110**	101	9%
Net debt	**209**	275	(24)%
Current ratio	**1.7x**	1.7x	
Net gearing[(5)]	**19%**	25%	

Notes:

(1) Continuing operations refer to the dissolving wood pulp business of the Group and discontinued operations refer to the viscose staple fiber business of the Group which was disposed of in December 2014.

(2) The financials of the continuing operations for the six months ended 30 June 2015 include the sales of dissolving wood pulp to third parties as well as to a related party.

(3) The financials of the continuing operations for the six months ended 30 June 2014 were restated to include the sales of dissolving wood pulp to third parties as well as to the discontinued operations.

(4) EBITDA is calculated as profit before income tax. finance costs, depreciation, amortization of intangible assets and changes in the value of forestation and reforestation assets.

(5) Net gearing is calculated by dividing (i) net debt by (ii) total equity (including non-controlling interests).

MANAGEMENT DISCUSSION AND ANALYSIS

Bracell is a leading global pure-play dissolving wood pulp producer. The continuing operations of the Group comprise the production and sale of both specialty-grade and rayon-grade dissolving wood pulp manufactured at its Bahia Specialty Cellulose plant in Brazil using wood resources grown from its own eucalyptus plantations.

Business Review

Following completion of the disposal of its viscose staple fiber ("VSF") business in December 2014, the Group is now a leading global pure-play dissolving wood pulp ("DWP") producer. The continuing operations of the Group comprise the production and sale of both specialty-grade and rayon-grade DWP manufactured at its Bahia Specialty Cellulose ("BSC") plant in Brazil using wood resources grown from its own eucalyptus plantations.

The Group no longer operated the VSF business (discontinued operations) during the six months ended 30 June 2015 (2014: loss from discontinued operations of US$14 million), and its profit attributable to shareholders for the first six months in 2015 increased by 32% to US$32 million.

In the first half of 2015, the sales volume of the Group's rayon-grade DWP increased by 7% and all of it was sold at prevailing open market spot prices to a company controlled by the ultimate controlling shareholder of the Company under a three-year pulp supply agreement which became effective on 1 January 2015. During the period, the market conditions of rayon-grade DWP remained challenging as there was continued excess capacity in the market. Rayon-grade DWP spot prices remained at the US$800 per metric ton level during the first quarter of the year but improved slightly to about US$830 per metric ton at the end of June 2015.

For specialty-grade DWP, the Group continued to make progress in its ongoing effort to further penetrate into this segment in the first six months of 2015, especially in terms of product quality improvements. However, given the slower growth in demand for acetate and the temporary inventory destocking of both acetate pulp and acetate tow, the Group's sales volume of specialty-grade DWP in this period remained flat compared to that for the corresponding period in 2014. Also, product prices in this segment faced pressure during the period as competitors reacted to an oversupply situation with more aggressive pricing strategies in order to maintain their market share.

While the sales volume of the Group's rayon-grade DWP increased, its average selling price ("ASP") in the first half of 2015 was 13% lower than that in 2014 partly due to a decrease in the average spot prices of rayon-grade DWP between the two periods. The drop in ASP was made more pronounced by the fact that during the second quarter of 2014, the Group sold all its rayon-grade DWP to the disposed VSF plants in China at prices higher than the prevailing spot prices in order to comply with the price undertaking ("Undertaking Price") accepted by the Ministry of Commerce of the PRC in April 2014. The ASP of the Group's specialty-grade DWP was also 13% lower during the first half of 2015. As a result, the revenue from the continuing operations declined by 9% from the same period in 2014 to US$221 million.

The more efficient operations of the Group's mill in Brazil and the depreciation of the Brazilian Reais ("BRL") against the US Dollar ("USD") during the period contributed to a decline of 11% in its cost of sales. As a result, the Group's gross profit margin improved to 34% while its gross profit dropped by 6% to US$75 million because of lower ASPs.

The selling, general and administrative expenses of the Group's continuing operations also declined notably by 11% during the period, reflecting a decrease in logistic costs, depreciation of BRL, as well as the Group's cost savings efforts across all aspects of its operations. This resulted in an improvement in the EBITDA margin of the Group to 42% while its EBITDA dropped by 2% to US$92 million, again because of the lower ASPs.

For the first six months of 2015, there was an increase in the fair value of the forestation assets of the Group of US$3 million which compared with an increase of US$8 million for the corresponding period in 2014, mainly as a result of the appreciation of BRL in the first half of 2014. From 1 January 2015, two of the Group's subsidiaries which held a majority of its forestation assets changed their functional currency from USD to BRL and as a result, the majority of the effect of the depreciation of the BRL on the fair value of the forestation assets during the current period is reflected as other comprehensive income with no effect on the consolidated profit and loss.

As a result of the above factors, profit from the continuing operations for the first half of 2015 decreased by 18% to US$32 million, compared to that for the first half of 2014.

DWP Business

Six months ended 30 June	2015	2014 (Restated)	Change
Production volume[1] (metric tons)	**214,298**	204,768	5%
Sales volume[2] (metric tons)	**236,566**	225,667	5%
ASP[2] (US$/metric ton)	**932**	1,077	(13)%
Revenue[2] (US$'000)	**220,529**	243,074	(9)%
Gross profit (US$'000)	**74,922**	79,393	(6)%
Gross profit margin (%)	**34%**	33%	
EBITDA (US$'000)	**92,229**	94,502	(2)%
EBITDA margin (%)	**42%**	39%	

Notes:

(1) Production volume represents total production volume of the DWP business.

(2) The above information on the DWP business of the Group for the first six months in 2015 includes the sale of dissolving wood pulp to third parties as well as a related party. Information for the first six months in 2014 has been restated to conform to the current period's presentation.

The Group's DWP business comprises the production and sale of rayon-grade pulp and specialty-grade pulp. Between the first half of 2014 and that of 2015, production volume of the Group increased by 5% to 214,298 metric tons, while sales volume increased by 5% to 236,566 metric tons.

Rayon-grade pulp

Rayon-grade pulp is the principal raw material ingredient used for the production of VSF. China is the largest rayon-grade pulp market by demand, according to Hawkins Wright (an independent consultancy providing market intelligence and business information relating to international forest products) and China Chemical Fibers and Textiles Consultancy ("CCF").

Current global demand for rayon-grade pulp is estimated at approximately 5 million metric tons annually with growth mainly recorded in China. Such demand is expected to grow at approximately 5% per annum from 2014 to 2019, according to Hawkins Wright. However, overall abundant supply kept rayon-grade DWP prices under pressure.

With effect from 1 January 2015, under a three-year pulp supply agreement, the Group supplies rayon-grade DWP produced by BSC only to a company controlled by the ultimate controlling shareholder of the Company at prevailing open market spot prices. This enables the Group to focus its efforts on the production and sale of specialty-grade DWP, with a view that all rayon-grade DWP produced by BSC will be contractually purchased in its entirety under the pulp supply agreement at prevailing open market prices. This arrangement also provides BSC with certainty on the capacity utilization of its mill in Brazil by ensuring it is operating at the optimal level, thereby allowing economies of scale and better cost control.

The Group sold 181,378 metric tons of rayon-grade pulp in the first six months of 2015, an increase of 7% from last year.

In the first six months of 2015, the weak pricing environment resulting from an oversupply situation persisted. At the same time, some Chinese DWP players reverted to producing paper pulp which mitigated the oversupply situation. The VSF pricing environment also improved from the second quarter, resulting in better margins for VSF producers which in turn enabled DWP producers to raise prices slightly. As such, rayon-grade DWP spot prices remained at the US$800 per metric ton level during the first quarter of the year but improved slightly to about US$830 per metric ton at the end of June 2015.

In February 2015, as a result of the continued decline in the market prices of rayon-grade DWP since April 2014, the Undertaking Price between BSC and the Ministry of Commerce of the PRC was adjusted downward from a level of between US$900 and US$1,000 per metric ton to a level between US$800 and US$900 per metric ton. Such an adjustment will not have any impact on the revenue or profit of the Group as the Group is now selling all its rayon-grade DWP at the prevailing open market spot prices and not at the Undertaking Price.

Specialty-grade pulp

Specialty-grade pulp is the natural key ingredient of a wide array of everyday use consumer products. The Group's products are manufactured to a high degree of purity, and are mostly used for applications such as acetate for cigarette filters and eyeglasses frames, pharmaceutical tablets, and high-performance tire cords.

Total global demand for specialty-grade pulp is approximately 1.5 million metric tons annually, and is estimated to grow at approximately 3% per year from 2014 to 2019, according to Hawkins Wright. Barriers of entry into this market are high owing to the advanced technological know-how required to produce the high purity products, the stringent customer specifications and long product qualification cycle. As such, market prices of specialty-grade pulp trended upward at approximately 8% compound annual growth rate ("CAGR") in the past decade, up to 2013. In late 2013, when one of the major industry players added significant capacity, the specialty-grade pulp market tipped into an oversupply situation and prices started facing downward pressures as competitors adopted more aggressive pricing strategies to maintain their market share.

During the period, amidst slower growth in demand for acetate as well as temporary inventory destocking of both acetate pulp and acetate tow, the Group maintained its sales volume in specialty-grade DWP at 55,188 metric tons. However, the Group recorded lower ASP due to continuing pricing headwinds in the specialty-grade DWP segment. Discussions on contract terms for the next year will commence in the second half of 2015 and the Group is in a good position to make progress in penetrating this market segment, as it continues to improve product quality according to stringent customer specifications.

Future Development Plan

The Group is a leading global pure-play specialty cellulose producer. The Group's main facility of BSC in Brazil is the third largest DWP producer in the world with an annual design production capacity of 485,000 metric tons. In addition to its state-of-the-art production facilities, the Group also owns over 150,000 hectares of freehold timberland in Brazil, which fully meets all the wood requirements of the BSC facility.

The Group's entry into the pulp supply agreement to sell its rayon-grade DWP only to a single customer in the next three years enables the Group's BSC mill to operate at the optimal level and achieve greater operational efficiency. Also, this arrangement allows the Group to focus its efforts on shifting its product mix further towards specialty-grade DWP, particularly in the acetates, in view of its lower level of pricing volatility and superior positioning within the value chain.

As the world's second largest specialty-grade DWP producer in terms of potential production capacity and backed by its own eucalyptus plantations, the Group will continue to further penetrate into the specialty-grade DWP segment by improving its product quality according to stringent customer specifications.

The Group will also continue to explore the feasibility of further greenfield or brownfield expansions and/or acquisition opportunities if they meet the Group's stringent strategic and financial return targets.

Outlook

Despite the modest pick up in rayon-grade DWP prices in recent months, the global oversupply situation of rayon-grade pulp remains. In the short term, the recent VSF price and margin improvements provide impetus for rayon-grade DWP prices to move up. The Group's three-year pulp supply agreement gives it certainty on its sales volume of rayon-grade DWP at prevailing open market spot prices. At the same time, the Group will continue to focus on the efficiency of its operations in order to maintain its cost competitiveness in the production of rayon-grade DWP. This will enable the Group to protect its margins in this segment despite challenging market conditions.

On specialty-grade DWP, it is expected that acetate pulp and tow orders will return to more normalised rates in 2016 after the ongoing temporary destocking is completed later this year. However, the current abundant supply situation will continue to cap prices in the short term. A recent announcement by a major industry player to switch significant capacity permanently from specialty-grade DWP to other commodity grades of pulp has the positive effect of removing a large supply overhang from the market place in the medium term. This significant supply reduction, high barriers of entry, and the inherently higher production costs of specialty-grade DWP mean that the pricing downside of this segment is limited.

The Group will also constantly strive to sustain all its operations with improved efficiency at a competitive cost level. The above, together with its conservative cash flow management and strong balance sheet management, means that the Group is poised to grow further in future and to deliver attractive long-term shareholder value.

Financial Review

Consolidated Income Statement

For the six months ended 30 June 2015, the Group's revenue from continuing operations declined by 9% to US$221 million despite a 5% increase in the sales volume, owing to a 13% drop in the ASPs of both rayon-grade DWP and specialty-grade DWP. Cost of sales declined notably by 11%, while gross profit declined by 6% to US$75 million with an improved gross profit margin of 34% from 33% in 2014. The EBITDA of the Group's continuing operations dropped slightly by 2% to US$92 million with an improved EBITDA margin of 42% from 39% in 2014.

Profit from continuing operations for the first six months of 2015 was US$32 million, representing a 18% decline from the same period in 2014. Profit attributable to shareholders increased by 32% to US$32 million, as there were losses from discontinued operations for the same period in 2014. Earnings per share increased by 29% to US0.9 cent from US0.7 cent in 2014.

Cost of Sales

Cost of sales primarily consists of the cost of planting and harvesting wood, chemicals and conversion costs including energy, labor costs and depreciation.

The Group's cost of sales from continuing operations declined notably by 11% to US$146 million mainly reflecting the Group's continued efforts on cost savings as well as the depreciation of BRL against the USD during the period.

Selling and Distribution and Administrative Expenses

Selling and distribution expenses of the continuing operations decreased by 7% to US$20 million for the six months ended 30 June 2015, from US$21 million in the corresponding period in 2014, mainly as a result of a decrease in logistic costs. Administrative expenses of the continuing operations also decreased notably by 16% to US$18 million mainly as a result of the depreciation of BRL during the period as well as the Group's overall cost savings measures.

Changes in Fair Value of Forestation and Reforestation Assets

Revaluation of the Group's forestation and reforestation assets in Brazil is conducted semi-annually at each reporting date. Fair value of forestation and reforestation assets in Brazil is estimated using a discounted cash flow model with reference to estimates in growth, harvest, sales prices and costs. The volume of forest harvested and recoverable as estimated by the Group is based on statistical information and data obtained from physical measurements and other information gathering techniques.

The Group assumes a six-year harvest cycle of trees within this model. Such information gathered and data used require, to a certain extent, estimates and judgments in determining the amount of forest to be harvested and recoverable in the future. If future expectations at any given period end differ from original estimates, the difference will impact the carrying amount of forestation and reforestation assets in the consolidated statement of financial position, and be taken up in the consolidated income statement in the period.

With effect from 1 January 2015, the functional currency of two subsidiaries of the Group which own the bulk of its forestation and reforestation assets in Brazil was changed from USD to BRL. From this date onwards, the non-cash impact on the fair value of the forestation and reforestation assets of the above-mentioned subsidiaries arising from a change in the exchange rate between the BRL and USD will be recorded under the line item "currency translation differences" as part of the other comprehensive income of the Group. Hence, going forward, fluctuation in the exchange rate between the BRL and USD will result in less non-cash impact on the profit and loss of the Group.

The Group recognized an increase in fair value of forestation and reforestation assets of US$3 million for the first six months of 2015. This compares with an increase of US$8 million in fair value of forestation and reforestation assets for the same period in 2014 mainly as a result of an appreciation of the BRL during that period which impact was recorded in the consolidated income statement.

Finance Costs

The Group's finance costs of the continuing operations decreased from US$12 million to US$10 million because of scheduled repayments of its five-year term syndicated loan which reduced the outstanding balance.

Consolidated Statement of Comprehensive Income

Currency Translation Differences

The Group's presentation currency is USD. The Group has currency translation differences in the first half of 2015 mainly because two of its subsidiaries in Brazil have their functional currencies in BRL which is different from the presentation currency of the Group. For the first half of 2014, the currency translation differences of the Group mainly arose from its discontinued VSF business as the VSF companies in China have their functional currencies in Chinese Renminbi.

The exchange rate between the BRL and USD depreciated from US$1 = BRL2.66 as at 31 December 2014 to US$1 = BRL3.10 as at 30 June 2015. As a result, the Group recorded currency translation losses of US$27 million arising from its two subsidiaries in Brazil which have their functional currency in BRL. Out of this US$27 million, US$17 million related to the forestation and reforestation assets of the two subsidiaries.

Unrealized (Loss) / Gain on Cash Flow Hedge

The Group manages its interest rate risk through the use of interest rate swaps ("IRS") and it mitigates the currency fluctuations affecting its operations mainly through a hedging program using plain vanilla non-deliverable forward contracts.

For the six months ended 30 June 2015, the decrease in fair value of currency derivative financial instruments and IRS amounted to US$6 million. Following the adoption of hedge accounting, this amount is recorded under the line item "unrealized (loss) / gain on cash flow hedge" as part of the other comprehensive income.

Capital Expenditure

The Group continued to exercise careful control over capital expenditure as appropriate during the first six months in 2015.

The Group's continuing operations incurred US$24 million in capital expenditure for the six months ended 30 June 2015, compared to US$50 million in the corresponding period in 2014. The capital expenditure includes US$13 million spent on forestation and reforestation assets in Brazil and US$11 million on other capital expenditure.

Charge on Assets

As at 30 June 2015, certain assets of the Group with an aggregate carrying value of US$825 million (31 December 2014: US$829 million) were pledged with banks for banking facilities used by its subsidiaries.

Cash Flow, Liquidity and Financial Position

The Group continues to be adequately capitalized, with ample liquidity, and is capable of funding its foreseeable capital expenditure requirements with cash flows from operating activities and banking facilities.

As at 30 June 2015, the Group's bank balances and cash amounted to US$110 million, compared with US$101 million as at 31 December 2014. Net debt as at 30 June 2015 amounted to US$209 million, compared with US$275 million as at 31 December 2014. The Group's net gearing ratio (which is calculated by dividing (i) long-term and short-term borrowings minus bank balances and cash by (ii) total equity (including non-controlling interests)) was 19%, compared to 25% as at 31 December 2014.

As at 30 June 2015, the Group had total banking facilities available for draw-down of US$62 million.

Net cash from operating activities of the continuing operations improved to US$111 million for the six months ended 30 June 2015. This compares to US$22 million for the same period in 2014. The improvement is mainly due to the settlement of trading debt with a related party according to agreed terms and the increased efficiency in working capital management.

Treasury Policies and Risk Management

The Group has a prudent approach towards treasury management and risk management. Most of the Group's receipts are in USD. Its main costs are denominated in BRL where it has its production facilities. The Group's approach to currency risk is to mitigate the currency fluctuations affecting its operations mainly through non-deliverable forward contracts. The Group does not issue any put options.

The cash of the Group's continuing operations is generally placed in short-term deposits denominated in USD. All of its borrowings are in USD and carry floating interest rates and the Group has entered into interest rate swap agreements to swap its floating interest rate borrowing for fixed interest rate to mitigate potential increases in future interest rates.

Other Changes Since 31 December 2014

Save as disclosed in the Company's interim results announcement dated 17 August 2015 and the previous announcements made by the Company in 2015, there were no other material changes in the Group's financial position or from the information disclosed under the Management Discussion and Analysis in the Company's annual report for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of our shareholders and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company.

The Board

The Board currently comprises the following Directors:

Independent Non-executive Directors:

John Jeffrey YING (Chairman)
Jeffrey LAM Kin Fung
David YU Hon To
LIM Ah Doo
LOW Weng Keong
Armin MEYER*

* redesignated as an independent non-executive director with effect from 17 August 2015

Executive Director:

TEY Wei Lin (Chief Executive Officer)

The roles of the Chairman and the Chief Executive Officer are segregated. The Chairman, who is an Independent Non-executive Director, is responsible for leadership of the Board and for ensuring that the Board functions effectively and independently. The Chief Executive Officer is responsible for leading the operations of the Group's businesses to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board. The senior management team is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board meets regularly and at least four times a year with at least 14 day's notice. Additional meetings with reasonable notice will be held as and when the Board considers appropriate. Regular Board meetings each year are scheduled in advance to facilitate maximum attendance by the Directors. For the six months ended 30 June 2015, the Board held two Board meetings (with a 100% attendance rate).

Changes in Directors' Information

Each Director has informed the Company in a timely manner of any change in the number and nature of offices held in public companies or organizations and other significant commitments. The Company will disclose the changes, if any, in accordance with regulatory and statutory requirements.

Changes in information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), since the publication of the Company's annual report for the year ended 31 December 2014, are set out below:

(a) Mr. TEY Wei Lin, an Executive Director, was appointed as a director of Specialty Cellulose Marketing Pte. Ltd., a wholly-owned subsidiary of the Company, with effect from 23 February 2015;

(b) Mr. LIM Ah Doo, an Independent Non-executive Director, resigned as a director of Linc Energy Limited with effect from 23 June 2015;

(c) Mr. LOW Weng Keong, an Independent Non-executive Director, was appointed with effect from 18 June 2015 as an independent director of iX Biopharma Ltd., a company listed on Catalist of the Stock Exchange of Singapore; and

(d) Mr. Armin MEYER, a Non-executive Director, was redesignated as an Independent Non-executive Director and appointed as a member of each of the Remuneration Committee and the Independent Board Committee of the Company with effect from 17 August 2015.

Board Committees

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee with written terms of reference approved by the Board. Terms of reference of the above Board committees are made available on the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company as appropriate. In addition, the Company has established an Independent Board Committee to review all connected transactions entered into by the Group. Each of the above Board committees is chaired by an Independent Non-executive Director.

Audit Committee

The Audit Committee currently comprises the following Directors:

Independent Non-executive Directors:

David YU Hon To (Chairman of the Audit Committee)
LIM Ah Doo
LOW Weng Keong

The Audit Committee shall meet at least four times a year to review, with senior management as well as the Company's internal and external auditors, the Group's significant internal controls, risk management and financial matters as set out in the Audit Committee's written terms of reference. For the six months ended 30 June 2015, the Audit Committee held two meetings (with a 100% attendance rate) and met with the external auditor once at a pre-meeting session in the absence of the management of the Group. The Audit Committee's review mainly covers audit plans and findings of the internal and external auditors, the external auditor's independence, re-appointment of the external auditor and the audit fee, the Group's accounting principles and practices, the Listing Rules and statutory compliance, internal controls, risk management, financial reporting matters and the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The Audit Committee is satisfied that the Company's internal control system is effective and adequate.

Remuneration Committee

The Remuneration Committee currently comprises the following Directors:

Independent Non-executive Directors:

Jeffrey LAM Kin Fung (Chairman of the Remuneration Committee)
John Jeffrey YING
LOW Weng Keong
Armin MEYER*

* appointed as a member with effect from 17 August 2015

Executive Director:

TEY Wei Lin

The Remuneration Committee shall meet at least once a year. For the six months ended 30 June 2015, the Remuneration Committee held one meeting (with a 100% attendance rate) and also dealt with matters by way of circulation. The Remuneration Committee's duties performed mainly covered the review of the policy and structure for the remuneration of Directors and the senior management of the Group and the review and determination of, with delegated responsibility, the remuneration packages of the senior management for the year 2015.

Nomination Committee

The Nomination Committee currently comprises the following Directors:

Independent Non-executive Directors:

LIM Ah Doo (Chairman of the Nomination Committee)
David YU Hon To

Executive Director:

TEY Wei Lin

The Nomination Committee shall meet at least once a year. For the six months ended 30 June 2015, the Nomination Committee held one meeting (with a 100% attendance rate). The Nomination Committee's duties performed included the review of the structure, size, and composition of the Board, the review of the independence of Independent Non-executive Directors and the nomination of Directors retiring by rotation and their re-election.

Executive Committee

The Executive Committee currently comprises the following Directors:

Independent Non-executive Director:

John Jeffrey YING (Chairman of the Executive Committee)

Executive Director:

TEY Wei Lin

For the six months ended 30 June 2015, the Executive Committee held two meetings (with a 100% attendance rate) to perform its duties and responsibilities under its terms of reference, including reviewing the operating performance and financial positions of the Group and evaluating the business strategies of the Group.

Independent Board Committee

The Independent Board Committee currently comprises the following Directors:

Independent Non-executive Directors:

John Jeffrey YING (Chairman of the Independent Board Committee)
Jeffrey LAM Kin Fung
David YU Hon To
LIM Ah Doo
LOW Weng Keong
Armin MEYER*

* appointed as a member with effect from 17 August 2015

For the six months ended 30 June 2015, the Independent Board Committee held one meeting (with a 100% attendance rate) to perform its duties and responsibilities, mainly to review the connected transactions of the Group.

Internal Controls and Risk Management

The Board has overall responsibility for the Group's system of internal controls and assessment and management of risks. In meeting its responsibility, the Board has put in place policies and procedures which provide a framework for the identification and management of risks.

The Group regards internal audit as an important part of the Board's oversight function. The Group's internal audit department ("IA department") is authorized by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The IA department has unrestricted access to the chairman of the Audit Committee and reports directly to the Audit Committee for direction and accountability. This reporting relationship enables the IA department to provide an objective assurance to the effectiveness of the internal control system of the Group.

The IA department prepares and submits an internal audit plan to the Audit Committee for approval on an annual basis, according to a risk-based audit priority weighting policy. Reports to the management are prepared after completion of the audit work, and are summarized for review at each Audit Committee meeting. Continual follow-up work is undertaken by the IA department to establish the extent of completion of remedial actions taken by the management, with follow-up results and available resources reviewed by the Audit Committee at each committee meeting.

The Company has established a whistleblowing policy and system for employees and other stakeholders to raise concerns, in confidence, about possible improprieties in any matter related to the Group.

The Board will continue to identify, evaluate and manage the significant risks faced by the Group, and to enhance the internal control system of the Group with the assistance of the IA department on an ongoing basis.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted its own Guidelines on Securities Transactions regarding securities transactions by Directors, directors of its subsidiaries, and relevant employees who are likely be in possession of unpublished price-sensitive or inside information of the Company or its securities, on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules. Reminders are sent during each year to Directors, directors of subsidiaries, and relevant employees that they should not deal in the securities of the Company during the "black-out periods" specified in the Model Code.

The Company made specific enquiries with the Directors, and all Directors confirmed that they had complied with the required standards set out in the Company's Guidelines on Securities Transactions and the Model Code regarding Directors' securities transactions for the six months ended 30 June 2015.

Compliance with the Corporate Governance Code

During the six months ended 30 June 2015, the Company has applied the principles of, and complied with, its Corporate Governance Manual and the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 14 to the Listing Rules, save for the deviation as disclosed below:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Our Non-executive Directors (including Independent Non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election by shareholders of the Company ("Shareholders") at the Company's annual general meetings at least once every three years in accordance with the Bye-laws of the Company. The Company in practice has complied with the relevant code provision of the CG Code.

Review of Unaudited Financial Information

This unaudited consolidated financial information of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee of the Company and its external auditor.

Restricted Share Unit Schemes and Share Option Scheme

The Company adopted the Pre-IPO Restricted Share Unit Scheme ("Pre-IPO RSU Scheme") and the Post-IPO Restricted Share Unit Scheme ("Post-IPO RSU Scheme", and together with the Pre-IPO RSU Scheme, the "RSU Schemes") on 8 November 2010. The purpose of the RSU Schemes is to attract skilled and experienced personnel, to incentivize participants to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

All restricted share unit(s) ("RSU(s)") granted under the Pre-IPO RSU Scheme were either vested or canceled as at 31 December 2014. Since the adoption of the Pre-IPO RSU Scheme and up to 31 December 2014, RSUs in respect of 8,165,026 underlying shares were granted to 18 grantees (one of which is a Director and two of which are former Directors) pursuant to the scheme, of which 5,638,668 underlying shares were canceled and 2,526,358 underlying shares were vested.

As at 30 June 2015, RSUs in respect of 7,677,276 underlying shares were granted to 23 grantees (one of which is a former Director) pursuant to the Post-IPO RSU Scheme. Total RSUs in respect of 2,302,867 underlying shares granted to 14 grantees were canceled since the adoption of the Post-IPO RSU Scheme, of which no underlying shares were canceled during the six months ended 30 June 2015. Total RSUs in respect of 4,699,409 underlying shares were vested under the Post-IPO RSU Scheme, of which a total of 1,300,000 RSUs were vested during the six months ended 30 June 2015. As at 30 June 2015, there were 675,000 RSUs granted pursuant to the Post-IPO RSU Scheme outstanding. On 6 July 2015, a total of 1,050,000 RSUs were granted to 3 grantees pursuant to the Post-IPO RSU Scheme.

The Company also adopted a share option scheme on 8 November 2010 ("Share Option Scheme"). As at 30 June 2015, no options have been granted by the Company pursuant to the Share Option Scheme.

For more information on the RSU Schemes and the Share Option Scheme, please refer to pages 49 to 52 and 118 and 119 of the Company's annual report for the year ended 31 December 2014.

Investor Relations and Communications

The Group maintains continuous communications with Shareholders, analysts and the media to ensure fair disclosure through regular meetings, conference calls and investor events. The Group also maintains investor relations websites (www.brazilcellulose.com and www.irasia.com/listco/hk/bracell) to disseminate information to investors and Shareholders on a timely basis. The Company has adopted a Shareholders' Communication Policy and will review the same on a regular basis to ensure its effectiveness. The procedures for Shareholders to propose a person for election as a Director are also available at the Company's website as set out in the section headed "Company – Corporate Governance".

Employees

Total staff costs of the Group for the six months ended 30 June 2015 amounted to approximately US$19.8 million (for the six months ended 30 June 2014, including discontinued operations: approximately US$35.7 million). As at 30 June 2015, the Group had 1,388 employees in total, which were all employed by the Group's continuing operations. Remuneration for employees is based upon their qualification, experience, job nature, performance and market conditions.

The Group may also pay discretionary year end bonuses to employees based on individual performance. Other benefits to employees include medical insurance, retirement schemes and training programs. Directors and qualified employees of the Company may be granted share options to subscribe for shares in the Company as well as RSUs in accordance with the terms and conditions of the Share Option Scheme and the RSU Schemes approved by the Company on 8 November 2010.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2015, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Model Code") were as follows:

Long positions in the shares and the underlying shares of the Company

Name of Director	Capacity	Number of shares held	Approximate % of the issued share capital of the Company
Mr. John Jeffrey YING ("Mr. Ying")[(1)]	Beneficial owner	960,591	0.03%

Note:

(1) As at 30 June 2015, Mr. Ying held a total of 960,591 shares representing the total number of shares vested to Mr. Ying under the Pre-IPO RSU Scheme.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2015, the following persons, other than the Director whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had the following interests in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares and the underlying shares of the Company

Name	Capacity	Number of shares held	Approximate % of the issued share capital of the Company
Gold Silk Holdings Limited ("Gold Silk")(1)	Beneficial owner	2,863,496,750	83.83%
Fiduco Trust Management AG ("Fiduco")(1)(2)	Interest in a controlled corporation	2,863,496,750	83.83%
Mr. Sukanto TANOTO ("Mr. Tanoto")	Person who set up a discretionary trust	2,863,496,750	83.83%

Notes:

(1) The entire issued share capital of Gold Silk is held by Fiduco, as the trustee of a discretionary trust established by Mr. Tanoto as settlor. The beneficiaries of such discretionary trust include Mr. Tanoto and certain members of his family. Mr. Tanoto is deemed to be interested in the 2,863,496,750 shares held by Gold Silk pursuant to Part XV of the SFO.

(2) Fiduco is the trustee of a discretionary trust established by Mr. Tanoto as settlor and whose beneficiaries include Mr. Tanoto and certain members of his family.

Save as disclosed above, as at 30 June 2015, no other person, other than the Director whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Purchase, Sale or Redemption of Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.0 cent (2014: nil) per share for the six months ended 30 June 2015, payable to the shareholders of the Company whose names appear on the register of members of the Company on 1 September 2015. Dividend warrants will be dispatched on or around 11 September 2015.

Closure of Register of Members

The register of members of the Company will be closed on 1 September 2015, on which no transfer of shares of the Company will be effected. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 31 August 2015.

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF BRACELL LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 37, which comprises the condensed consolidated statement of financial position of Bracell Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 August 2015

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2015

	Notes	Unaudited Six months ended 30 June 2015 US$'000	2014 (Restated) US$'000
Continuing operations			
Revenue	6	**220,529**	243,074
Cost of sales		**(145,607)**	(163,681)
Gross profit		**74,922**	79,393
Selling and distribution expenses		**(19,558)**	(20,979)
General and administrative expenses		**(17,955)**	(21,250)
		37,409	37,164
Other income and gains/(losses), net			
Increase in fair value of forestation and reforestation assets	12	**3,107**	7,527
Others		**5,925**	6,345
		9,032	13,872
Operating profit	7	**46,441**	51,036
Finance costs	8	**(10,182)**	(12,175)
Profit before income tax		**36,259**	38,861
Income tax (expense)/credit	9	**(4,513)**	28
Profit for the period from continuing operations		**31,746**	38,889
Discontinued operations			
Loss for the period from discontinued operations	15	**–**	(13,682)
Profit for the period		**31,746**	25,207
Profit/(loss) attributable to:			
Owners of the Company		**32,063**	24,222
Non-controlling interests		**(317)**	985
		31,746	25,207
Profit/(loss) attributable to owners of the Company arising from			
Continuing operations		**32,063**	38,523
Discontinued operations	15	**–**	(14,301)
		32,063	24,222
Basic and diluted earnings per share (US cents)	10		
From continuing operations		**0.9**	1.1
From discontinued operations		**–**	(0.4)
		0.9	0.7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited Six months ended 30 June 2015 US$'000	2014 (Restated) US$'000
Profit for the period	**31,746**	25,207
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(26,531)**	(3,025)
Unrealized (loss)/gain on cash flow hedge	**(5,848)**	5,224
Other comprehensive income for the period	**(32,379)**	2,199
Total comprehensive income for the period	**(633)**	27,406
Total comprehensive income for the period attributable to:		
Owners of the Company	**(316)**	26,471
Non-controlling interests	**(317)**	935
	(633)	27,406
Total comprehensive income attributable to owners of the Company arising from:		
Continuing operations	**(316)**	43,747
Discontinued operations	**–**	(17,276)
	(316)	26,471

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	Unaudited 30 June 2015 US$'000	Audited 31 December 2014 US$'000
Non-current assets			
Forestation and reforestation assets	12	**124,808**	138,942
Property, plant and equipment	12	**949,593**	983,888
Intangible assets		**325**	375
Deferred income tax assets		**13,962**	13,438
Other non-current assets	13	**41,561**	47,969
		1,130,249	1,184,612
Current assets			
Inventories		**62,914**	80,177
Trade, bills and other receivables	14	**184,703**	212,718
Bank balances and cash		**110,020**	100,955
		357,637	393,850
Current liabilities			
Trade and other payables	16	**62,073**	90,154
Current income tax payable		**20,767**	20,767
Derivative financial instruments		**10,578**	5,698
Bank borrowings	17	**115,832**	115,578
		209,250	232,197
Net current assets		**148,387**	161,653
Total assets less current liabilities		**1,278,636**	1,346,265
Non-current liabilities			
Bank borrowings	17	**202,706**	260,051
Derivative financial instruments		**1,560**	592
		204,266	260,643
		1,074,370	1,085,622
Capital and reserves			
Share capital	18	**171,021**	171,021
Share premium and reserves		**901,977**	912,912
Equity attributable to owners of the Company		**1,072,998**	1,083,933
Non-controlling interests		**1,372**	1,689
		1,074,370	1,085,622

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

For the six months ended 30 June 2015

	Unaudited								
	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Translation reserve US$'000	Cash flow hedging reserve US$'000	Awarded shares compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2015	171,021	426,151	(80)	(6,290)	(166)	493,297	1,083,933	1,689	1,085,622
Profit for the period	–	–	–	–	–	32,063	32,063	(317)	31,746
Currency translation differences	–	–	(26,531)	–	–	–	(26,531)	–	(26,531)
Unrealized loss on cash flow hedge	–	–	–	(5,848)	–	–	(5,848)	–	(5,848)
Total comprehensive income for the period	–	–	(26,531)	(5,848)	–	32,063	(316)	(317)	(633)
Transactions with owners									
Dividend (Note 11)	–	–	–	–	–	(10,716)	(10,716)	–	(10,716)
Awarded shares compensation expense	–	–	–	–	192	(95)	97	–	97
Total transactions with owners	–	–	–	–	192	(10,811)	(10,619)	–	(10,619)
At 30 June 2015	171,021	426,151	(26,611)	(12,138)	26	514,549	1,072,998	1,372	1,074,370

For the six months ended 30 June 2014

	Unaudited										
	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Special reserve US$'000 (Note a)	Other non-distributable reserves US$'000 (Note b)	Translation reserve US$'000	Cash flow hedging reserve US$'000	Awarded shares compensation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2014	171,021	426,151	277,394	6,252	43,101	(4,622)	30	800,714	1,720,041	38,148	1,758,189
Profit for the period	–	–	–	–	–	–	–	24,222	24,222	985	25,207
Currency translation differences	–	–	–	–	(2,975)	–	–	–	(2,975)	(50)	(3,025)
Unrealized gain on cash flow hedge	–	–	–	–	–	5,224	–	–	5,224	–	5,224
Total comprehensive income for the period	–	–	–	–	(2,975)	5,224	–	24,222	26,471	935	27,406
Transactions with owners											
Appropriation	–	–	–	210	–	–	–	(210)	–	–	–
Dividend (Note 11)	–	–	–	–	–	–	–	(11,000)	(11,000)	–	(11,000)
Awarded shares compensation expense	–	–	–	–	–	–	(321)	129	(192)	–	(192)
Total transactions with owners	–	–	–	210	–	–	(321)	(11,081)	(11,192)	–	(11,192)
At 30 June 2014	171,021	426,151	277,394	6,462	40,126	602	(291)	813,855	1,735,320	39,083	1,774,403

Notes:

(a) Special reserve represents the sum of the deemed contribution of US$38,769,000 from shareholders mainly arising from the waiver of interest-free advances and the excess of the aggregate nominal amount of the share capital and share premium of a subsidiary acquired by the Company over the nominal amount of shares of the Company issued to the then shareholders amounting to US$238,625,000 in 2010.

(b) Other non-distributable reserves mainly represent statutory reserves required to be appropriated from net profit after tax of subsidiaries established in the People's Republic of China (the "PRC") under the relevant laws and regulations at an amount determined annually by the respective boards of directors of the subsidiaries, but must not be less than 10% of the net profit after tax of the subsidiaries, until such reserves reach 50% of the registered capital of the relevant subsidiaries. The reserve may be used to offset accumulated losses and/or converted to increase capital of the relevant subsidiaries subject to certain restrictions set out in the Company Law of the PRC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June 2015 US$'000	2014 US$'000
Net cash from operating activities			
– Continuing operations		111,398	21,965
– Discontinued operations	15	–	(8,450)
		111,398	13,515
Cash flows from investing activities			
Purchases of property, plant and equipment		(11,327)	(82,046)
Additions of forestation and reforestation assets		(13,781)	(18,158)
Additions to prepaid lease payments		–	(11)
Interest received		124	314
Proceeds on disposal of property, plant and equipment		927	1,169
Net cash used in investing activities		(24,057)	(98,732)
Cash flows from financing activities			
Drawdown of bank borrowings		–	104,069
Repayment of bank borrowings		(58,667)	(29,648)
Interest paid		(8,607)	(16,476)
Payment of dividend		(10,716)	(11,000)
Net cash (used in)/generated from financing activities		(77,990)	46,945
Net increase/(decrease) in cash and cash equivalents		9,351	(38,272)
Foreign exchange differences		(286)	(338)
Cash and cash equivalents at 1 January		100,955	166,046
Cash and cash equivalents at 30 June			
Represented by bank balances and cash		110,020	127,436

1 General information

Bracell Limited (the "Company") was incorporated on 8 June 2010 and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). The Company is controlled by Gold Silk Holdings Limited, a limited liability company incorporated in Cayman Islands and 100% owned and controlled by Mr. Sukanto TANOTO and certain members of his family (the "Major Shareholder"). The address of the principal place of business of the Company is 21/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This interim financial information is presented in United States dollars ("US$" or "USD"), unless otherwise stated. This interim financial information was approved for issue by the Board of Directors on 17 August 2015.

2 Basis of preparation

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. It should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 Significant accounting policies

The interim financial information has been prepared under the historical cost convention, as modified by the forestation and reforestation assets which are carried at fair value less estimated costs to sell and derivative financial instruments which are carried at fair value.

The accounting policies and methods of computation used in the interim financial information for the six months ended 30 June 2015 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2014.

In 2015, the Group adopted the amendments of IFRS below, which are relevant to its operations.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, presentation and disclosures of the financial information.

3 Significant accounting policies (Continued)

New or revised standards that have been issued and relevant to the Group but are not yet effective:

New standards and amendments		Effective for accounting periods beginning on or after
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018

The Group has not early adopted the above standards and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of financial information will result.

4 Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied to the consolidated financial statements for the year ended 31 December 2014, except as set out below.

In prior years, the management regarded USD as the functional currency of certain subsidiaries in Brazil since the operations and cash flows of these subsidiaries were predominantly denominated in USD. Since 1 January 2015, because of changes in circumstances, the management reassessed the functional currency of two subsidiaries in Brazil and changed it from USD to Brazilian Reais ("BRL"). The change in functional currency has been applied prospectively with effect from 1 January 2015.

5 Financial risk management and financial instruments

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

(b) Fair value estimation

Different levels of fair value measurements of financial instruments subsequent to initial recognition are defined as follows based on the degree to which the fair value is observable.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Management of the Company uses their judgement in selecting an appropriate valuation technique for derivative financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

The Group's derivative financial instruments were all measured at fair value under level 2 at 30 June 2015 and 31 December 2014, and no transfers between any levels occurred during the period.

The fair values of the forward foreign exchange contracts have been arrived at using the forward rates of similar instruments as at the end of the reporting period. The fair values of the interest rate swaps have been determined using valuations provided by the counterparty banks as at the end of each reporting period with reference to market data such as settlement prices and interest rates.

The fair values of other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of the unlisted investment cannot be measured reliably in the opinion of the directors of the Company, and the unlisted investment is, therefore, measured at cost less impairment at 30 June 2015 and 31 December 2014.

6 Revenue and segment information

(a) Revenue

	Six months ended 30 June	
	2015	2014
		(Restated)
	US$'000	US$'000
Continuing operations		
Dissolving wood pulp business ("DWP Business")	**220,529**	243,074

DWP Business derives its revenue from selling rayon-grade pulp and specialty-grade pulp, which are manufactured by the Group. During the six months period ended 30 June 2015, DWP is sold to third parties as well as to a related party, namely DP Marketing International Macao Commercial Offshore Limited according to a three-year pulp supply agreement which became effective on 1 January 2015. The Group entered into the pulp supply agreement upon the completion of the disposal of its viscose staple fiber business ("VSF Business").

(b) Operating segments

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company's Board of Directors is the chief operating decision maker for the purposes of IFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

On 17 December 2014, the Group completed the disposal of its VSF Business to a company controlled by the Major Shareholder. Accordingly, the results of the VSF Business have been presented as discontinued operations for the six months ended 30 June 2014.

Subsequent to the disposal of the VSF Business, DWP Business is the only reportable operating business segment of the Group and therefore, no business segment information is provided. Further, as the Group's major operations are located in Brazil, the allocations of total assets and liabilities for the operating and reporting segment are not presented.

6 Revenue and segment information (Continued)

(b) Operating segments (continued)

Geographical information

The customers of the Group's continuing operations are mainly located in the PRC, the Americas, Europe and other Asian countries.

An analysis of the revenue of the Group's continuing operations by geographical market based on where the goods are delivered to is as below:

	Six months ended 30 June	
	2015	2014
		(Restated)
	US$'000	US$'000
The PRC	**154,251**	161,368
The Americas	**51,541**	61,861
Europe	**14,231**	19,000
Asia (excluding the PRC)	**348**	773
Others	**158**	72
	220,529	243,074

Information about major customers of the Group's continuing operations

Two customers (including a related company) contributed over 10% of the sales of the Group's continuing operations and the Group's sales to these customers were US$146,492,000 and US$36,713,000 respectively (six months ended 30 June 2014: three customers including two related companies with sales amount of US$84,487,000, US$58,960,000 and US$31,243,000 respectively).

7 Operating profit

Continuing operations

	Six months ended 30 June	
	2015	2014
		(Restated)
	US$'000	US$'000
Operating profit has been arrived at after charging/(crediting):		
Total staff costs	**19,761**	20,934
Cost of inventories sold	**140,459**	162,100
Decrease due to harvest	**15,005**	20,478
Depreciation of property, plant and equipment	**33,840**	30,465
Foreign exchange loss	**5,209**	605
Sales of electricity	**(4,018)**	(2,760)
Operating lease expense of land and building and others	**65**	110

8 Finance costs

Continuing operations

	Six months ended 30 June	
	2015	2014 (Restated)
	US$'000	US$'000
Interest expenses on bank borrowings	**7,236**	9,090
Other finance costs	**2,946**	3,085
	10,182	12,175

9 Income tax (expense)/credit

Income tax expense has been provided on the estimated assessable profit for the period at the appropriate tax rates prevailing in the countries/locations in which the Group operates.

Continuing operations

	Six months ended 30 June	
	2015	2014 (Restated)
	US$'000	US$'000
Current income tax		
– Provision for the period	**(5,037)**	(2,275)
Deferred income tax	**524**	2,303
	(4,513)	28

10 Earnings per share

Basic earnings per share is calculated by dividing the Group's profit attributable to the owners of the Company by the weighted average number of ordinary shares issued during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares.

	Six months ended 30 June	
	2015	2014 (Restated)
	US$'000	US$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period from the continuing operations attributable to owners of the Company	**32,063**	38,523
Loss for the period from the discontinued operations attributable to owners of the Company	**–**	(14,301)

10 Earnings per share (Continued)

	Number of shares Six months ended 30 June 2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,419,297,573**	3,418,304,922
Effect of dilutive potential ordinary shares:		
Awarded shares compensation scheme	**291,457**	479,928
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,419,589,030**	3,418,784,850

11 Dividends

Final dividend of HK2.5 cents per share for the year ended 31 December 2014 was paid during the six months ended 30 June 2015. The Board has resolved to declare an interim dividend of HK1.0 cent per share for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

12 Forestation and reforestation assets and property, plant and equipment

As at 30 June 2015 and 31 December 2014, management of the Group adopted a discounted cash flow model in determining the fair value of forestation and reforestation assets, assuming a six-year harvest cycle of the trees. The fair value measurement is under level 3 which has significant unobservable inputs. Other than disclosed below, the principal valuation methodology and assumptions adopted by the Group as at 30 June 2015 have no material changes from 31 December 2014:

– reference wood price is BRL41.75 (31 December 2014: BRL40.02) (equivalent to US$13.46 and US$15.05 respectively) per cubic meter, based on the prices agreed in the contracts entered into with local farmers during the six months ended 30 June 2015 and year ended 31 December 2014. The higher the reference wood price used in USD, the higher the fair value of the forestation and reforestation assets will be; and

– exchange rate between USD and BRL is US$1.00 = BRL3.10 as at 30 June 2015 and US$1.00 = BRL2.66 as at 31 December 2014. The stronger the US dollars against BRL, the lower the fair value of the forestation and reforestation assets in USD will be.

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of an aggregate amount of approximately US$11,327,000 (six months ended 30 June 2014: US$81,348,000, of which US$32,066,000 is attributable to the continuing operations).

13 Other non-current assets

	30 June 2015 US$'000	31 December 2014 US$'000
VAT recoverable (Note a)	**23,765**	29,891
Unlisted equity investment (Note b)	**11,761**	11,761
Others	**6,035**	6,317
	41,561	47,969

Notes:

(a) This represents mainly value-added tax ("VAT") recoverable in respect of acquisition of property, plant and equipment and raw materials in Brazil that are expected to be recovered beyond the next twelve months from the end of each reporting period, and are accordingly classified as non-current assets. The balances are expected to be utilized by offsetting against VAT payable on future domestic sales, transferring of VAT recoverable to third parties and/or offsetting with other tax payables.

(b) The unlisted investment represents 4.5% equity investment in Cetrel S.A. Empresa de Proteção Ambiental ("Cetrel S.A."), a company which is incorporated in Brazil and is responsible for operating the environmental protection systems in Camaçari industrial complex, within which the Group's Bahia Specialty Cellulose mill is located. The Group invested into Cetrel S.A. for strategic reasons as Cetrel S.A. provides effluent treatment for Bahia Specialty Cellulose. The unlisted investment is measured at cost less impairment at 30 June 2015 and 31 December 2014. In the opinion of the directors, no impairment losses are required for the six months ended 30 June 2015 (31 December 2014: US$4,231,000).

14 Trade, bills and other receivables

	30 June 2015 US$'000	31 December 2014 US$'000
Trade and bills receivables	**16,265**	14,226
Other receivables:		
Prepayments and deposits paid	**1,522**	5,286
Advance to suppliers	**3,024**	3,424
VAT recoverable	**3,471**	6,547
Others	**1,272**	1,539
	9,289	16,796
Amounts due from related companies (Note)		
– Trade	**158,552**	181,175
– Non-trade	**597**	521
	159,149	181,696
Trade, bills and other receivables	**184,703**	212,718

Note: Balances with related companies (companies under the common control of the Major Shareholder) are unsecured and non-interest bearing.

14 Trade, bills and other receivables (Continued)

The Group generally allows an average credit period ranging from 30 to 180 days to its customers. The ageing analysis of the Group's trade and bills receivables and amounts due from related companies presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2015 US$'000	31 December 2014 US$'000
0 – 60 days	**65,966**	62,163
61 – 90 days	**26,511**	33,910
91 – 180 days	**70,279**	66,904
Over 180 days	**12,061**	32,424
	174,817	195,401

15 Discontinued operations

(a) Analysis of the results of discontinued operations is as follows:

	Six months ended 30 June 2014 US$'000
Revenue	267,297
Cost of sales	(247,544)
Gross profit	19,753
Selling and distribution expenses	(4,495)
General and administrative expenses	(14,424)
Other income and losses, net	(737)
Finance costs	(4,476)
Loss before income tax	(4,379)
Income tax credit	427
Loss after income tax	(3,952)
Eliminations with continuing operations	(9,730)
Loss for the period from discontinued operations	(13,682)
Profit/(loss) for the period from discontinued operations attributable to:	
– Owners of the Company	(14,301)
– Non-controlling interests	619
	(13,682)

15 Discontinued operations (Continued)

(b) Analysis of the cash flows for discontinued operations is as follows:

	Six months ended 30 June 2014 US$'000
Net cash outflow from operating activities	(8,450)
Net cash outflow from investing activities	(48,969)
Net cash inflow from financing activities	99,842
Net cash inflow from discontinued operations	42,423

16 Trade and other payables

	30 June 2015 US$'000	31 December 2014 US$'000
Trade payables	**12,612**	14,627
Other payables:		
Accruals and other payables	**23,896**	30,784
Other taxes payables	**2,304**	3,445
Provisions (Note a)	**10,319**	11,233
	36,519	45,462
Amounts due to related companies (Note b)	**12,942**	30,065
Trade and other payables	**62,073**	90,154

The ageing analysis of the Group's trade payables at the end of the reporting period is as follows:

	30 June 2015 US$'000	31 December 2014 US$'000
0 – 90 days	**12,612**	14,627

Notes:

(a) The provisions represent the Group's liabilities for probable losses on civil, labour and tax lawsuits. Management considers that these provisions are sufficient and appropriate to cover the corresponding contingencies.

Additionally, the Group is a party to certain lawsuits and administrative proceedings in the amount of approximately US$42,955,000 (31 December 2014: US$47,067,000), which are considered as possible but not probable future losses. No provisions have been made for these possible losses.

(b) Balances with related companies (companies under the common control of the Major Shareholder) are unsecured and non-interest bearing.

17 Bank borrowings

During the six months ended 30 June 2015, the Group did not drawdown any bank borrowings (six months ended 30 June 2014: US$104,069,000, solely attributable to the discontinued operations, net of loan raising cost) and repaid bank borrowings of US$58,667,000 (six months ended 30 June 2014: US$29,648,000, solely attributable to the discontinued operations).

The drawdown of bank borrowings by the discontinued operations during the six months ended 30 June 2014 comprised secured loans of approximately US$85,607,000 and unsecured loans of approximately US$18,462,000.

18 Share capital

	Number of shares	Amounts US$'000
Authorized:		
At 1 January 2014, 31 December 2014 and 30 June 2015, at US$0.05 each	15,000,000,000	750,000
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 30 June 2015, at US$0.05 each	**3,420,420,250**	**171,021**

19 Commitments

	30 June 2015 US$'000	31 December 2014 US$'000
Contracted but not provided for – acquisition of property, plant and equipment	**17,648**	12,651
Authorized but not contracted for – acquisition of property, plant and equipment	**2,048**	2,850

20 Related party disclosures

The Group entered into the following significant transactions with the following related parties:

		Six months ended 30 June	
Name of related parties	**Nature of transactions**	**2015 US$'000**	2014 US$'000
Companies under the common control of the Major Shareholder			
DP Marketing International Macao Commercial Offshore Limited	Purchase of goods	**–**	2,508
	Commission income	**–**	141
	Sales of goods	**146,492**	–
Pec-Tech Engineering and Consulting (Suzhou) Co., Ltd.	Consulting service expenses	**–**	428
Averis Sdn. Bhd.	Service fee expense	**782**	1,855
East Trade Limited	Rental expense	**48**	93

INFORMATION FOR INVESTORS

Listing Information

Listing:	Stock Exchange of Hong Kong
Stock code:	1768
Ticker symbol:	1768.HK (Reuters)
	1768 HK Equity (Bloomberg)

Key Dates

16 March 2015
(Announcement of 2014 Annual Results)

18 May 2015
(Annual General Meeting)

17 August 2015
(Announcement of 2015 Interim Results)

Registrar & Transfer Offices

Principal:

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Hong Kong Branch:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Information

Board lot size:
500 shares

Shares outstanding as at 30 June 2015:
3,420,420,250 shares

Market capitalization as at 30 June 2015:
HK$3,591 million (approximately US$463 million)

Investor Relations Contact

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